

Message Text

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ACTION AGR-20

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EGEN, US, RP

SUBJECT: SECRETARY BUTZ' DISCUSSIONS WITH PHILIPPINE LEADERS

REF: FASTO CIRCULAR 72

FOLLOWING ARE POINTS PHILIPPINE OFFICIALS AND BUSINESSMEN ARE
LIKELY TO RAISE IN TALKS WITH SECRETARY BUTZ OR POINTS WE
SUGGEST HE RAISE:

1. PHILIPPINE GOVERNMENT AND PRIVATE INTERESTS WILL ALMOST
CERTAINLY WISH TO DISCUSS U.S. SUGAR POLICY AND UNDOUBTEDLY WILL
SEEK ASSURANCES REGARDING FUTURE PHILIPPINE QUOTAS. THEY ALSO
ARE LIKELY TO ASK FOR RESTORATION OF C.C.C. CREDIT ON WHEAT,
COTTON AND TOBACCO PURCHASES AND WILL BE INTERESTED IN PROSPECTS
FOR TITLE I P.L. 480 FINANCING FOR TOBACCO, COTTON, RICE AND
POSSIBLY WHEAT, LATTER FOR POSSIBLE NUTRITION PROGRAMS, RELIEF
AND DISASTER PREPAREDNESS.

2. GOP NATIONAL GRAINS AUTHORITY OFFICIALS, PRIVATE BUYERS AND
OTHERS WILL BE INTERESTED IN SECRETARY'S APPRAISAL OF SUPPLY AND
PRICE PROSPECTS FOR U.S. AGRICULTURAL COMMODITIES, AS WELL AS
ESTIMATES OF WORLD MARKET OUTLOOK.

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3. SECRETARY MAY WISH TO NOTE THAT AGRICULTURAL ECONOMIES OF

PHILIPPINES AND UNITED STATES ARE COMPLEMENTARY TO A MAJOR EXTENT BECAUSE OF DIFFERENCES IN CLIMATE. ECONOMIES OF BOTH SHOULD BENEFIT FROM ACCESS TO AGRICULTURAL COMMODITY MARKETS OF THE OTHER. THE UNITED STATES IMPORTED AGRICULTURAL PRODUCTS FROM THE PHILIPPINES VALUED AT \$465 MILLION IN 1973, LARGELY SUGAR AND COCONUT PRODUCTS, WHILE U.S. EXPORTED AGRICULTURAL PRODUCTS TO PHILIPPINES VALUED AT \$117 MILLION, MOSTLY WHEAT AND COTTON. THUS THE AGRICULTURAL BALANCE OF TRADE IS VERY HEAVILY IN FAVOR OF THE PHILIPPINES. (NON-AGRICULTURAL TRADE ONLY PARTIALLY OFFSETS THIS IMBALANCE, LEAVING TOTAL U.S. TRADE DEFICIT OF \$222 MILLION IN 1973, ACCORDING TO GOP STATISTICS.)

4. THE SECRETARY NO DOUBT WILL HAVE BEEN BRIEFED ON 10 PERCENT DUTIES IMPOSED ON WHEAT AND COTTON ON JANUARY 1, 1973. PARTICULARLY AS CALCULATED ON MUCH HIGHER PRICES, THE NEW DUTIES HAVE INCREASED COST PHILIPPINE CONSUMERS MUST PAY TO USE THESE U.S. COMMODITIES AND HAVE TENDED TO RESTRICT U.S. MARKETS. FORMER CONSIDERABLE MARKET FOR U.S. CITRUS, APPLES AND OTHER FRESH FRUIT, RAISINS, NUTS, CEREAL PREPARATIONS AND MEAT PRODUCTS HAS BEEN LARGELY ELIMINATED BY IMPORT BANS ON SPECIFIC PRODUCTS, CARRIED OUT THROUGH STRICT CONTROL OF FOREIGN EXCHANGE ALLOCATIONS FOR IMPORTS OF SUCH PRODUCTS, AS WELL AS BY PROHIBITIVELY HIGH DUTIES. SEE IN THIS CONNECTION AGATTACHE'S AIRCOMM TO ASSISTANT ADMINISTRATOR, INTERNATIONAL TRADE, FAS, OF JUNE 22, 1973.

5. CURRENTLY GOP IS CONSIDERING REDUCING 40 PERCENT DUTY ON SOY-BEAN OIL SO AS TO ENABLE IMPORT THIS OIL AND THUS RELEASE MORE HIGHTER-PRICED COCONUT OIL FOR EXPORT. SECRETARY COULD ENDORSE THIS PROPOSAL OF GOP DEPARTMENT OF AGRICULTURE AND NATURAL RESOURCES.

6. AT SAME TIME, SECRETARY SHOULD BE IN A POSITION TO DISCUSS STATUS OF ANY RESTRICTIONS ON ACCESS TO U.S. MARKET OF PHILIPPINE AGRICULTURAL COMMODITIES. SUBJECT IS OF IMPORTANCE TO PHILIPPINES AT THIS TIME IN VIEW OF TERMINATION OF LAUREL-LANGLEY AGREEMENT ON JULY 3, 1974. NEGOTIATIONS ARE NOW UNDER WAY ON A TREATY OF AMITY AND ECONOMIC RELATIONS TO FOLLOW LAUREL-LANGLEY. TRADE MATTERS OF INTEREST TO PHILIPPINES DEPEND, OF COURSE, ON PASSAGE TRADE REFORM ACT.

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A. IN TALKS WITH USG OFFICIALS, PHILIPPINE OFFICIALS AND EXPORTERS HAVE RAISED QUESTION OF U.S. TARIFF DISCRIMINATION AGAINST COCOMUT OIL IN FAVOR OF COMPETING PALM AND PALM KERNEL OIL, AND AGAINST ABACA PRODUCTS COMPARED TO OTHER HARD FIBERS. WE HAVE RESPONDED THAT THESE ISSUES WOULD MOST APPROPRIATELY BE TAKEN UP IN MULTILATERAL TRADE NEGOTIATIONS (SEE STATE 228029 11-19-73). SINCE U.S. PARTICIPATION IN THESE NEGOTIATIONS DEPENDS ON PASSAGE OF TRADE REFORM ACT, GOP OFFICIALS WILL BE INTERESTED IN OUTLOOK AND TIMING FOR PASSAGE AND PROSPECTS FOR MTN.

B. GOP OFFICIALS COULD ALSO RAISE QUESTION REGARDING ENTRY

OF MANGOES AND OTHER TROPICAL FRUITS TO UNITED STATES, AS WELL AS GUAM, NOW BARRED BY PLANT QUARANTINE REGULATIONS. REQUESTS TO PERMIT SUCH IMPORTS HAVE BEEN PENDING FOR SEVERAL YEARS.

7. SECRETARY SHOULD BE AWARE THAT RECENT ACTIONS BY GOP HAVE INCREASED DISCRIMINATION IN PHILIPPINE EXPORT TAXES FAVORING COCONUT OIL AS AGAINST COPRA, ALTHOUGH POLICY IS NOW UNDER REVIEW. CURRENT TAX STRUCTURE IS CREATING DIFFICULTIES FOR RELATIVELY SMALL U.S. COPRA CRUSHING INDUSTRY (ONE PLANT IN CALIFORNIA) WHICH MUST PAY A CONSIDERABLY HIGHER PRICE FOR COPRA THAN ITS PHILIPPINES COUNTERPART. SEE MANILA 2069 AND FAS PH4008 REPORT.

8. EMBASSY SUGGESTS THAT ANY FAVORABLE COMMENTS BY SECRETARY BUTZ REGARDING EFFORTS OF PRESIDENT MARCOS AND HIS ADMINISTRATION TO INCREASE AGRICULTURAL OUTPUT, TO PROVIDE FOR THE FOOD REQUIREMENTS OF THE PHILIPPINE PEOPLE, TO RAISE STANDARDS OF NUTRITION, AND TO EFFECT LAND REFORM WOULD BE WELL RECEIVED.
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